

PATAGONIA GOLD PLC

Trading Symbol PGD.L

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26 September 2006

DRILLING AND EXPLORATION UPDATE.

DRILLING

During the first six months of 2006, Patagonia Gold (PGD) completed exploratory drilling campaigns on three of its advanced exploration prospects, Crespo and Gastre in the province of Chubut and El Morro in the province of Rio Negro.

Results of the drilling at Crespo, West Veins, are sufficiently encouraging (16.18 g/t gold, 334.0 g/t silver and 5.22% zinc over individual 1 metre intersections) to carry out further drilling as and when the Chubut Government's recently imposed 'mining suspension' for this area is lifted.

Results include:

CRESPO WEST AND NORTH VEINS							
Drill Hole	From Metres	Intersection Metres	Gold g/t	Silver g/t	Copper %	Lead %	Zinc %
WV-02	48.0	2.0	8.44	16.8	-	-	-
WV-07	31.0	1.0	1.01	37.1	-	-	1.58
WV-08	85.0	1.0	0.83	47.3	0.25	0.80	2.77
WV-12	102.0	2.0	0.42	231.0	0.43	1.77	4.32
WV-13	113.0	1.0	0.39	119.1	0.29	2.28	3.61
NV-04	43.0	1.0	1.75	0.7	-	-	-
GASTRE							
GAS-05	31.0	1.0	1.54	3.9	-	-	-
GAS-10	63.0	1.0	1.66	0.9	-	-	-
GAS-13	6.0	1.0	0.85	1.2	-	-	-
CERRO EL MORRO							
EM-01	16.0	1.0	2.72	36.2	-	-	-
EM-04	59.0	1.0	1.02	2.9	-	-	-
EM-06	7.0	1.0	1.14	6.4	-	-	-
EM-09	6.0	1.0	1.01	6.7	-	-	-
EM-15	54.0	1.0	1.99	174.0	-	-	-
EM-21	59.0	1.0	2.17	106.8	-	-	-
EM-22	32.0	1.0	1.21	21.0	-	-	-

CRESPO The Crespo Project area is located in western Chubut Province, Argentina, and comprises 14 claims for a total of 59,655 hectares.

Exploration of this large prospective area has reached an advanced stage with all accessible areas being thoroughly explored mapped and sampled. Drill-targets generated by this work have included, the Cabana, Jasper and Crespo vein zones, drilled in 2004, and the West and North vein zones, together with the Paleosurface zone, drilled in this recent campaign.

West veins Seventeen reverse circulation (RC) holes were drilled for a total of 1,565 metres into a suite of sub parallel, gold, silver and base metals-mineralized quartz-carbonate veins, exposed along strike for about 800 metres. Individual quartz veins range up to 1 metre wide on surface. Assay results are sufficiently encouraging (16.18 g/t gold, 334.0 g/t silver and 5.22% zinc over individual 1 metre intersections) to carry out further drilling as and when the Chubut Government's recently imposed 'mining suspension' for this area is lifted.

Paleosurface Zone Six RC holes were drilled for a total of 1,135 metres holes, 175 to 199 metres deep, designed to test this conceptual drill target and intersect veins or structure below the sub-horizontal silica cap. Assay results returned one value of 0.110g/t gold and numerous anomalous to high arsenic and antimony.

North veins Eleven RC holes were drilled, for a total of 999 metres, into two separate suites of gold, silver and base metals-mineralized quartz-carbonate veins exposed along strike for about 1,200 metres. Assay results reported lower than those at surface outcrops indicating surface enrichment and were restricted to narrow intersections of 1 metre width.

GASTRE The Gastre project is located in northern Chubut Province and comprises 12 claims for a total of 89,330 hectares

A comprehensive stream sediment and BLEG exploration programme was completed within the Gastre claims and led to identification of precious and base metals values in veins and sheeted vein zones in the southern most claim blocks located immediately northwest of the Navidad silver Project.

Fifteen RC holes were drilled, for a total of 1,481 metres, to test potential bulk tonnage copper mineralization below the surface at Copper Hill as well as the lateral and subsurface extensions of gold-silver- base metals mineralized veins. Copper values were elevated in places but were generally lower than outcrop sampling indicating surface enrichment. Potentially economic gold and silver values were restricted to narrow intersections.

Exploration is currently being undertaken at a silver and base metals rich zone in the south west of the Gastre block near to the Navidad silver project.

CERRO EL MORRO Cerro El Morro is located in southeast Rio Negro Province, Argentina and comprises two claims for a total of 9,999 hectares.

A comprehensive geological mapping and sampling programme, together with a geophysical survey, was completed within the claims, identifying a suite of northwest-striking, narrow (mostly <1-2 metre wide), low sulphidation, epithermal silica-quartz-adularia veins.

Thirty-five RC holes were drilled, for a total of 2,571 metres, to test both the veins and geophysical targets. The best result was from drill hole EV 21 returning 1m@ 2.17g/t gold and 106g/t silver. Otherwise values were generally low and intersections narrow.

Exploration in the area is continuing and recent discoveries of extensions to the Cerro El Morro vein fields are under application.

CURRENT EXPLORATION

The current exploration season has commenced with a high level of activity through the expansion of Patagonia Gold's exploration efforts into the 'pro-mining' San Juan Province in west-central Argentina (contains the world class Valedero Gold deposit).

The regional headquarters, together with our South America Exploration Manager, Richard Jemielita, two geologists and support staff, have been relocated to the city of San Juan. Land access permits to numerous areas has been achieved with a field appraisal already undertaken on one property (results pending).

In addition Patagonia Gold's exploration efforts have been expanded in the 'pro-mining' Santa Cruz Province with the relocation of the Crespo field base, including two geologists and support staff, to the town of Caleta Oliva in northeast Santa Cruz. The geologists are currently exploring open areas in west Santa Cruz where Patagonia Gold already has 2 highly prospective properties.

Negotiations for possible acquisitions and or joint ventures are currently in progress for substantial properties in both San Juan and Santa Cruz. Subject to successful outcomes, Patagonia Gold will focus additional geological staff in one or both of these Provinces.

Exploration is also continuing with two geological teams on the Gastre project in Chubut and the Cerro El Morro property in Rio Negro together with a further team on reconnaissance work in the Neuquen Province.

MINING SUSPENSION (Huemules and Crespo projects)

As previously announced, Patagonia Gold SA (Patagonia) and Huemules SA (Huemules) filed a legal action against the recent law (the "Law") that suspended for three years all mining activity (except for alluvial gold exploration) in a specific area of the province of Chubut (Argentina) where both companies were carrying out its exploration activities.

Following legal counsel, Patagonia and Huemules filed an *injunction*, a legal action specifically set forth by the law as a remedy to continue its exploration activities.

Based on procedural issues, the provincial court that tried the injunction rejected it last August 28, 2006, with the argument that there is another course of action legally available set forth under Section 176 of the Provincial Constitution (legal action to declare certain law as unconstitutional). According to the judge, the Supreme Court of the Province of Chubut is the appropriate jurisdiction to try this legal action that provides for longer procedural terms as well as broader scope for rendering evidence. Patagonia and Huemules have therefore given their consent to the court ruling that rejected the injunction and, immediately, filed the legal action in the Supreme Court of the Province of Chubut.

Marc Sale, (BSC. Geology, member AusIMM, member AIG) a Director and consultant to Patagonia Gold Plc and a qualified person as defined in National Instrument 43-101, has reviewed and verified all scientific or technical mining disclosure contained in this press release.

ENDS

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